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Americans spend less on booze; are they drinking less?

By Tanya Mannes

Consumers spent less on alcohol during the recent recession, but it's not clear whether they were drinking less or just buying cheaper booze.

Regardless, it has meant lower profits for businesses that rely on alcohol sales, such as liquor stores and bars.

U.S. alcohol spending dropped 1.7 percent during the recession, according to [the report](#) by California Board of Equalization Chief Economist Joe Fitz. (For context, alcohol spending grew 2.4 percent during the 12 months before the recession began.)



People involved in the beverage industry say they've seen spending go down, but not consumption, during the painful 18-month recession that ended in June 2009.

"They're still drinking; they're just drinking cheaper stuff," said Roby Konja, manager of the Keg N Bottle retail store in Clairemont. "They're looking for where the deals are at; they're looking for specials."

Spending was lower in all categories of alcohol, including restaurant and bar sales, as well as purchases of distilled spirits, wine and beer, says "Alcohol and the Economy," a report released last week by Third District Board of Equalization Member Michelle Steel, the elected representative for Southern California.

The report doesn't draw conclusions about consumption, because it measures only spending on alcohol. In one possible scenario, vodka drinkers could spend less while drinking the same amount by switching brands from Absolut to Popov.

Various industry benchmarks indicate that people are "trading down" in their alcohol purchases of liquor, wine and beer.

U.S. consumers on average drank slightly more liquor in 2009 as compared to 2008, but traded down on quality, according to the Distilled Spirits Council. Liquor sales by volume grew 1.4% between 2008 and 2009, but liquor revenues remained flat at \$18.7 billion in 2009, the council reported.

The Wine Institute, which represents 1,000 California wineries, said that during the recessionary 2009 economy, California vintners' domestic shipments of wine cases increased a modest 0.2 percent compared to the previous year's volume — but the retail value of these sales was down 3 percent, according to wine industry consultants Gomberg, Fredrikson & Associates in Woodside.

Beer sales showed similar trends, with sub-premium brands drawing sales from higher priced brands, while craft beers pulled sales from wine and spirits, according to a 2009 report in Beverage Industry magazine.

Lower spending means lower revenue — and often slimmer profit margins — for liquor and grocery stores, bars, wine shops and wholesale beverage distributors, said Sean Nichols, vice president of sales for the San Diego beverage distributor John Lenore & Co.

Nichols said he saw his sales drop 10 to 15 percent across the board for all beverages, alcoholic and nonalcoholic. His company tries to offer competitive prices to liquor stores and convenience stores to help them compete. For example, the company is running a special on the popular Monster Energy drink, selling two for \$3. "It's normally \$2.49 a can," he said.

"They're trying to put up incredible offers in their stores that rival the chain stores," he said. "These are deals you wouldn't have seen two or three years ago."